



Director of
Central
Intelligence

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Contents

Iran-Iraq: Iraqis Losing Ground	1
Nicaragua: Rebel Leaders Seek Accommodation	3
Poland-Italy-Vatican: Results of Jaruzelski's Visit	4
XX	5
France-NATO: Problems With Conventional Arms Control	6
Notes	
Ecuador: Aftermath of Mutiny	7
Nicaragua: Opposition Testing the Constitution	7
France-Libya-Chad: Military Developments	8
Lebanon: Sunnis Reenter Fight	8
Tanzania-Mozambique: Expeditionary Force Taking Shape	9
XX	9
Romania: Call for General Strike	10
Yugoslavia-US: Propaganda Program	10
In Brief	11
Special Analyses	
China: Deng's Options for a New Premier	12
Israel-Lebanon: Stronger Military Action Likely	14

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~~Top Secret~~
~~NOFORN NOCONTRACT~~
20 January 1987

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20 January 1987

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~~Top Secret~~ b3
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IRAN-IRAQ:

Iraqis Losing Ground

The fighting east of Al Basrah is far from over and could yet develop into an even larger Iraqi setback. Baghdad's chances of turning the battle into a major Iranian defeat are receding as the Iranian forces secure the salient. b3

Iran moved farther toward Al Basrah along the Shatt al Arab over the weekend, as the Iraqis tried to improve their defensive positions. Tehran announced it had begun the third phase of its offensive yesterday and claimed to have advanced several kilometers; Iranian forces remain approximately 9 miles (15 kilometers) from the center of Al Basrah.

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b3 If Iran achieves nothing more than holding its current position, it will have won an important victory. The fighting is depleting Iraqi reserves and setting the stage for additional Iranian probes elsewhere along the border. The nearly continuous Iranian attempts to advance probably have contributed to Iraq's inability to initiate a successful major counterattack. b3

Tehran has long believed that isolating Al Basrah would be a devastating symbolic, as well as military, blow to Iraq. Iranian President Khamenei on Sunday referred to Iran's latest operation as "undoubtedly grave and far more crucial" than other defeats Iran has inflicted. Iran's success will bolster those—such as Assembly Speaker Rafsanjani—who favor aggressive military action and will weaken those who have emphasized the risks of major offensives. Such a victory also would stem, at least temporarily, popular disgruntlement over the war and economic hardships. Iran will also try to exploit its success to weaken the resolve of the Persian Gulf Arab states to continue supporting Iraq. b3

If Baghdad is determined to remove the Iranian threat to Al Basrah and turn the battle around, it will have to act soon. The Iranians are still vulnerable to air and artillery attacks, and many of their units have suffered severe casualties—even with reinforcements they would be hard pressed to resist a concerted Iraqi assault. The Iraqis have been unwilling to order the costly fighting necessary to clear out the Iranians but may decide that the importance of Al Basrah—Iraq's second-largest city—requires taking greater risks. A successful Iraqi counterattack could double Iranian losses and might erase the perceived military and political gains from this offensive.

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20 January 1987

~~Top Secret~~ b3

A stalemate at approximately the current locations outside Al Basrah appears the most likely outcome for now and would be an important Iranian victory. Iraq probably can contain the Iranians, but the chances of a successful Iraqi counterattack diminish daily. Tehran may order other probing attacks, but continued heavy fighting around Al Basrah probably will limit its options elsewhere during the winter campaign season. The heavy expenditure of personnel and war material at Al Basrah could keep Iran from exploiting successes in other probes. ~~SECRET~~ b3

Baghdad faces a less likely but highly dangerous outcome if Iraqi military mistakes allow the Iranians to continue to work their way toward the city in small increments. If Iranian forces should flank the main Iraqi lines, the Iraqis might panic and withdraw. Problems of supporting lengthy and intense attacks, however, probably will limit Iran's ability to capture Al Basrah, barring a collapse of the Iraqi forces defending the city. ~~SECRET~~ b3

~~Top Secret~~ b3

20 January 1987

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NICARAGUA:

Rebel Leaders Seek Accommodation

The possible return of two rebel leaders to Nicaragua would provide Managua with a major propaganda victory while damaging the anti-Sandinistas' efforts to improve their international image. b3

Eden Pastora, former leader of the rebels in southern Nicaragua, was to meet Sandinista officials.

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Pastora still has a substantial popular following inside Nicaragua and may calculate that his return would enhance his political stature. He stopped fighting for the rebels last spring and may believe he has no future as a rebel leader. b3

Rivera sees himself as the leader of the east coast Indians—a status he failed to achieve as the insurgent group commander. He also may want to capitalize on provisions in the new Constitution that reportedly grant the east coast limited autonomy. b3

The return of either rebel leader would provide a propaganda bonanza for Managua. The regime could cite a return as evidence of its pluralist system. The Sandinistas could use Rivera's return to create the image that they are willing to negotiate with the Indian rebels when in fact they have yet to talk with the largest Indian organization. b3

Militarily, the rebels are likely to benefit from the departure of either leader because both have opposed rebel unification efforts and were ineffective commanders. Politically, however, Pastora and, to a lesser extent, Rivera are well known in international circles, and their defection from the rebel movement would discredit the rebels' image domestically and abroad. b3

~~Top Secret~~ b3

20 January 1987

~~Top Secret~~ b3

**POLAND-ITALY-
VATICAN:**

Results of Jaruzelski's Visit

Italian and Roman Catholic officials are portraying General Jaruzelski's visit to Rome last week as a modest success, although the Polish leader failed to secure the Vatican's commitment to diplomatic recognition or increased Italian economic assistance. b3

Jaruzelski's visit provoked fewer demonstrations than Italian leaders had expected; press commentary was generally positive. In wide-ranging official talks with Italian leaders, Jaruzelski played down the importance of Solidarity but implied that the liberalization now under way in Poland would go further if domestic opponents did not question the nature of the regime. Although Jaruzelski appealed for economic assistance in the form of joint ventures and new credits, Italian Prime Minister Craxi said that expanded economic relations would depend on continued Polish progress on human rights. b3

b3 Jaruzelski's meeting with the Pope produced a candid exchange on key issues. Jaruzelski reiterated his desire to improve Church-state relations and Poland's record on human rights, but he asked the Pope to show understanding for the "difficult balance" he must maintain because of Poland's political-strategic position. The Pope nonetheless stressed that Warsaw must continue to liberalize and noted that the establishment of diplomatic relations would be the "crown" of improved Church-state relations, not a means of encouraging them. b3

b3 All three parties are likely to assess the visit as a modest success. Jaruzelski probably will see it as enhancing his stature at home and as finally ending Poland's political isolation in the West. Italian leaders, particularly Craxi, are breathing a sigh of relief that the visit did not create political problems, but they probably also appreciated the opportunity to lecture Jaruzelski on human rights on behalf of the West. b3

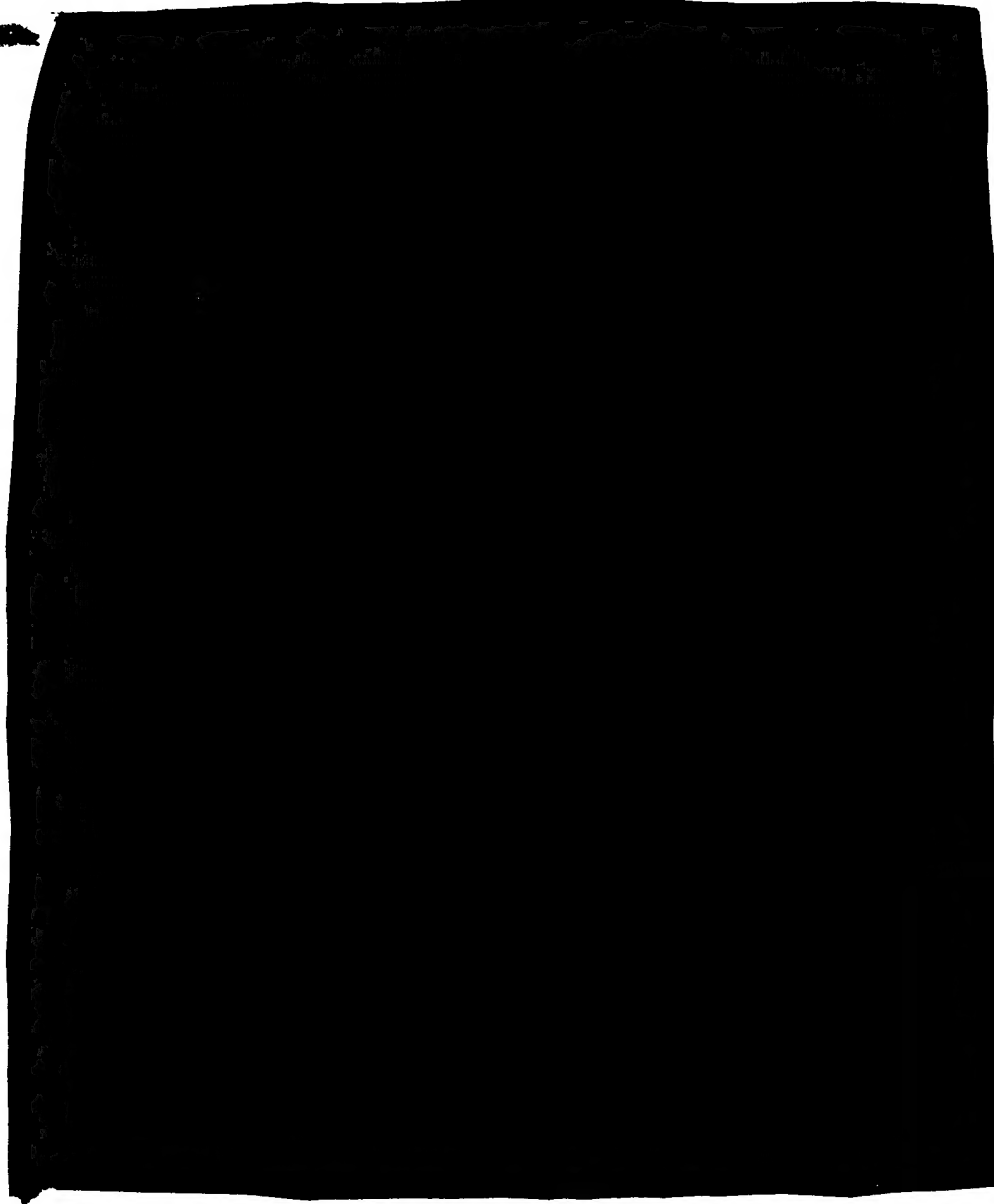
The Vatican is cautiously optimistic that the meeting will help to alleviate some of the pressures on the Polish people and on the Church in Poland. It will seek to follow up on Jaruzelski's promises when the Pope visits Poland in June. b3

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20 January 1987

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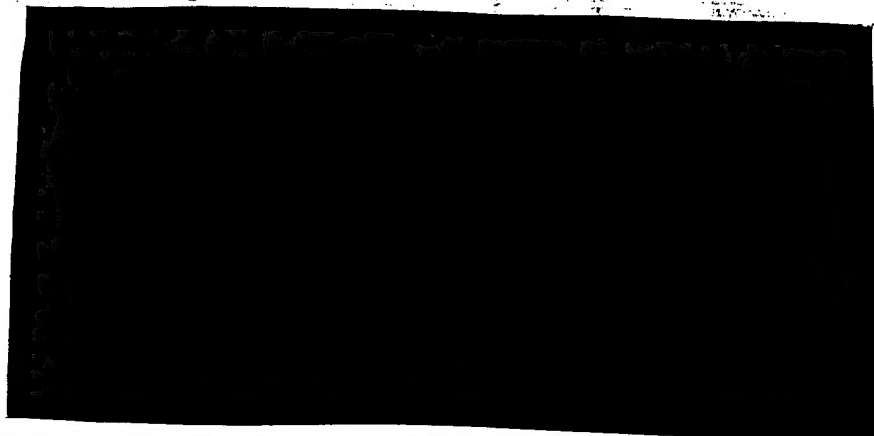
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FRANCE-NATO:

Problems With Conventional Arms Control

French insistence on close links between new talks on conventional arms control and the Conference on Security and Cooperation in Europe is likely to continue to disrupt NATO efforts to prepare for East-West disarmament negotiations. b3



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French intransigence at meetings of NATO's high-level task force on conventional arms control has prevented the Alliance from grappling with various substantive issues. The French probably intend to continue their obstructionism, at least until they achieve a closer link to CSCE. Paris may even hope it can delay resolution of substantive questions within NATO until preliminary East-West talks have begun, thereby allowing themselves greater freedom of action.

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Other NATO Allies—[redacted]—are anxious to begin preliminary East-West discussions soon, and they may press the French to be more flexible. Longstanding French anxiety about appearing too closely associated with NATO, however, suggests France will resist such arguments. If French intransigence continues, the other Allies will feel increasingly vulnerable to Soviet and East European criticism of the vagueness of the Brussels Declaration. [redacted] b3

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20 January 1987

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ECUADOR: Aftermath of Mutiny

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Army Commander Asanza, furious over the mutiny and the murder of two presidential guards, [redacted] pressing President Febres-Cordero to move against Taura airfield, re-arrest former Air Force Commander Vargas, and fire the present Air Force Commander [redacted]

[redacted] Meanwhile, [redacted] five of the six opposition parties tried to remove Febres-Cordero in an extraordinary session of the Chamber of Representatives on Friday, but the move was blocked by the largest party in the leftist bloc. [redacted] b3

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[redacted] Febres-Cordero has promised not to take any retaliatory action, but, if Vargas prolongs the crisis in any way, the President may give in to military pressure. If the legislature tries to capitalize on the latest crisis—for example by censuring the government when it reconvenes today—it could provoke a confrontation with the Army, which has already threatened to shut it down. [redacted] b3

NICARAGUA: Opposition Testing the Constitution

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Domestic opponents of the Nicaraguan Government are testing the limits of Managua's tolerance since the suspension of the country's new constitutional guarantees. The publisher of *La Prensa*—the opposition paper shut down by the Sandinistas in June—[redacted] that an abbreviated edition was to be sent to government censors on Friday and that she expected the regime to deny permission to publish. Opposition groups took advantage of international media interest in the promulgation of the Constitution recently to hold three street demonstrations. The Sandinistas reimposed a state of emergency suspending constitutional guarantees immediately after signing the new charter. [redacted] b3

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[redacted] The Sandinistas probably will allow some expression of dissent but will clamp down if the opposition appears to be gaining momentum. By forcing a reaction by the government, the opposition apparently hopes to discredit the new Constitution and reduce its utility as a propaganda tool for the regime. [redacted] b3

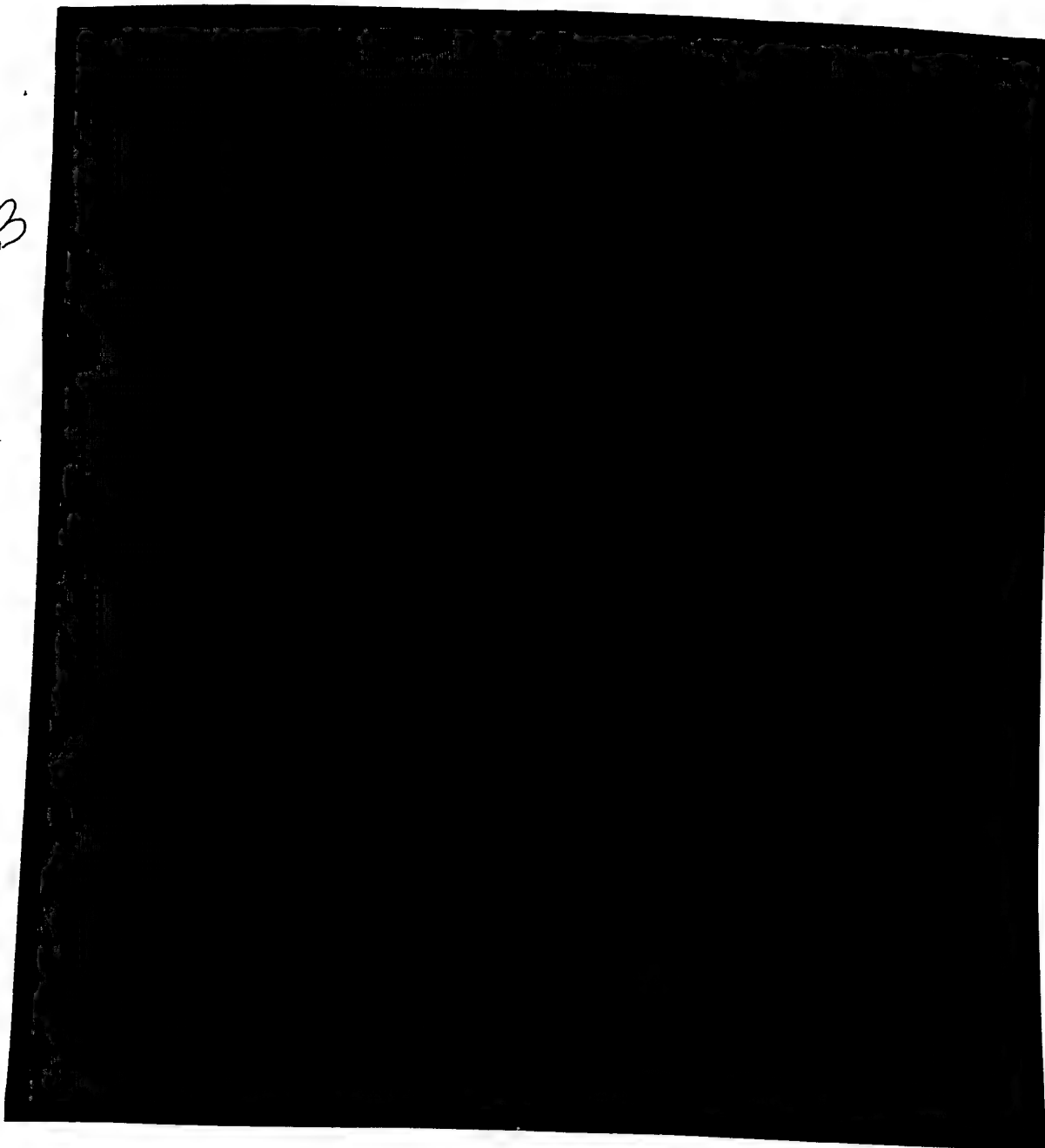
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FRANCE-LIBYA-CHAD: Military Developments

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b3 France soon will begin sending an additional \$82 million in military assistance to Chad, a decision based partly on Chief of Staff Saulnier's recommendations following his visit to N'Djamena last weekend. [REDACTED] Habre apparently asked Saulnier for France to provide antiaircraft and antitank weapons, communications equipment, transportation, food, and fuel for his forces. [REDACTED] b3

b3 [REDACTED] The decision represents a significant change in how the French view Habre's activity in the north and in what they are willing to do to help him. The aid apparently is intended to help Habre prepare for an expected Libyan offensive but will also help him to regain territory north of the 16th parallel. [REDACTED] b3

LEBANON: Sunnis Reenter Fight

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b3 Sunni militia groups are taking advantage of the current fighting between Shias and Palestinians to reorganize and to conduct small-scale military actions against Syrian military personnel and Shia Amal militiamen in West Beirut. [REDACTED] the Murabitun militia, the most militant of the Sunni militias until it was crushed in 1984, is again holding regular meetings and is recalling former Murabitun members to Beirut. The Sunni groups are also behind daily incidents of sniping and small explosions against Amal and Syrian military personnel. The head of the largest Sunni group in southern Lebanon, Mustafa Saad, escaped an assassination attempt Sunday near an Amal stronghold. [REDACTED] b3

b3 [REDACTED] The camps war has pushed the Lebanese Sunnis closer to the Palestinians, creating a stronger threat to the Syrian position in Lebanon. The Sunnis may eventually try to assassinate high-level Amal officials or senior Syrian military and intelligence officers. The attack on Saad will further aggravate Sunni-Shia tensions. [REDACTED] b3

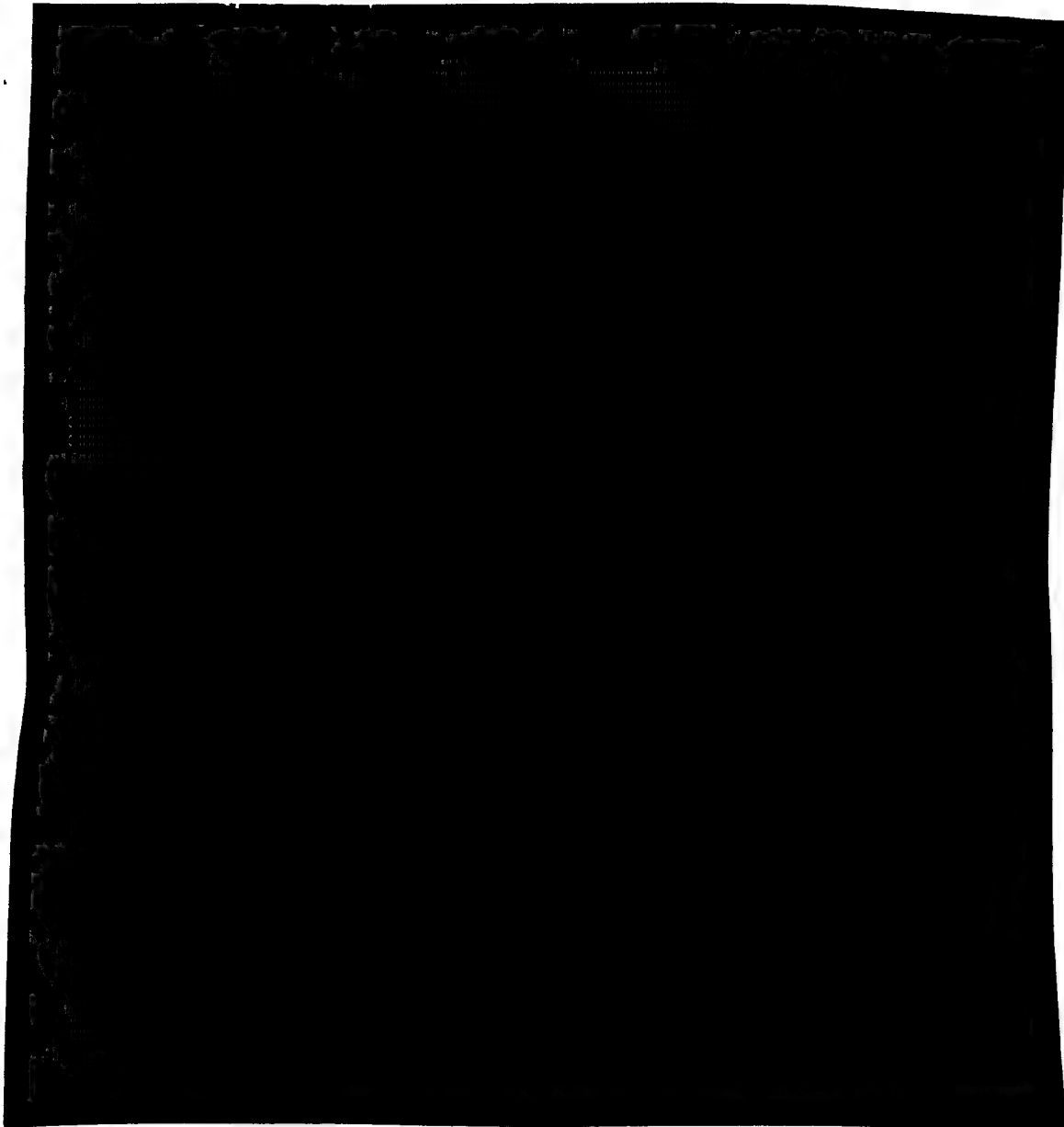
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TANZANIA-MOZAMBIQUE: Expeditionary Force Taking Shape

Tanzania—with the help of Soviet AN-12 transports—is flying supplies and weapons to support the troops it is sending to help fight the South African-backed RENAMO insurgents in Mozambique.

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[REDACTED] Other Frontline States have long pressured Tanzania to join Zimbabwe, which has some 6,000 troops fighting RENAMO in Mozambique. The Tanzanian troops—whose deployment is likely to take several months—probably will have a strictly defensive role, freeing Mozambican forces for offensive operations in Zambezia Province. Despite foreign help, sending even a substantially smaller contingent to Mozambique is likely to push Tanzania's spending over the limits specified in its agreement last August with the IMF and lead to new austerity measures and increased indebtedness to the Communist countries and Cuba. [REDACTED] b3

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20 January 1987

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ROMANIA: Call for General Strike

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[redacted] has received copies of a handwritten pamphlet calling for a general strike in the Romanian capital on Friday. The manifesto, in the form of a chain letter, claims to have already appeared in 2,000 copies. [redacted] up to 10,000 have been distributed. [redacted] has been unable to determine how many people are aware of the flyer, which states that it does not oppose the Communist regime but demands the resignation of President Ceausescu. [redacted] b3

[redacted] The claims may be exaggerated, but even moderately widespread distribution would make this the largest known organized protest in Romania since 1977. Scattered strikes, work slowdowns, and absenteeism have increased in response to harsh living conditions, which have been worsened by the bitter winter. The regime would quickly crack down on an attempted general strike, and fear of retribution will hold down the size of any protest. A sizable strike might encourage wider acts of resistance but is unlikely to force a change in leadership in the near term. [redacted] b3

YUGOSLAVIA-US: Propaganda Program

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Yugoslavia intends to mount a broad propaganda campaign, [redacted], directed at US policymakers. [redacted] The campaign is intended to counter attacks by ethnic Albanians in the US on Yugoslavia's treatment of ethnic minorities. [redacted]

[redacted] Yugoslavia has long had an exaggerated fear of emigre activity, and its intelligence service devotes considerable resources to monitoring and disrupting emigre groups in the US. Belgrade's belief that the US is looking for openings to Albania—which Yugoslavia accuses of instigating unrest in its Albanian minority—has probably heightened Yugoslav anxiety. The Yugoslavs have used similar propaganda tactics in the past, but they probably now believe recent high-level contacts with US officials signal greater receptivity in Washington to Yugoslav positions. [redacted] b3

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In Brief

USSR

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— Gorbachev has invited Syrian President to Moscow ... Soviets upset with policies on camps war, PLO ... displeasure evident in TASS statements and reported arrest of 14 Syrian Embassy employees for "black-market activities."

East Asia

— Two South Korean policemen charged in death of student dissident during questioning last week ... government apparently trying to defuse opposition party, human rights groups' demands for special inquiry into police torture.

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— Hong Kong slashed its equivalent of prime rate from 6.5 to 5 percent ... trying to dampen demand for Hong Kong dollar fueled by rumors of US pressure to revalue ... Hong Kong-US currency peg becoming difficult to maintain.

Middle East

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— Netherlands reassessing aid to Nicaragua because of human rights record, ... aid already declining, but The Hague is Managua's largest West European donor ... Dutch likely to increase aid to Central American democracies.

Europe

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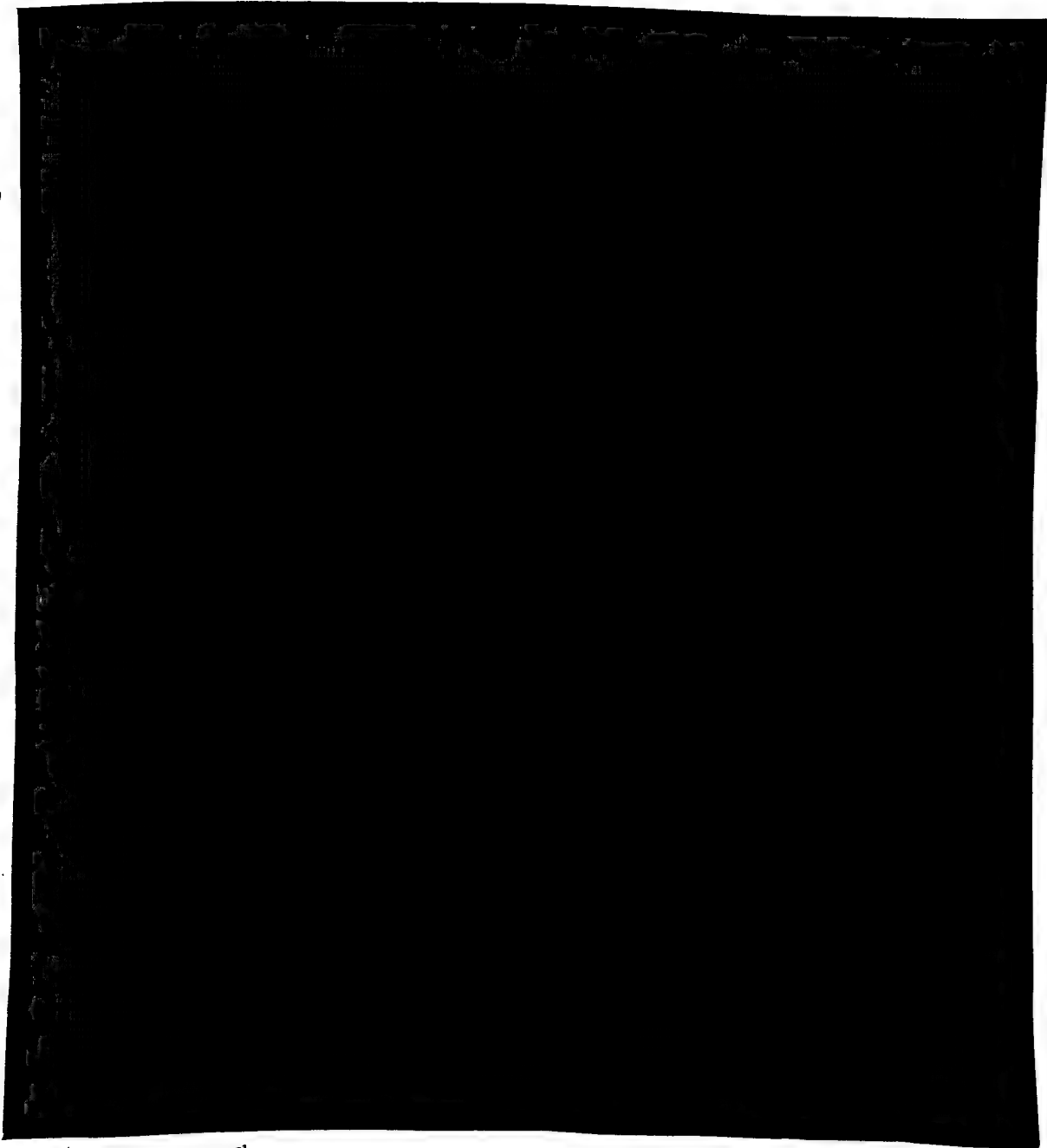
— Cypriot President, Afghan official agreed to establish diplomatic relations ... Kyprianou may wish to reward Soviet interest in Cyprus, court domestic Communists ... concern about international reaction will probably derail plan.

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20 January 1987

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20 January 1987

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Special Analysis

CHINA:

Deng's Options for a New Premier

Deng Xiaoping faces a difficult choice in replacing Premier Zhao Ziyang, who has now become Acting General Secretary as well as Premier. Although there are a number of candidates, each has serious drawbacks, and Deng may choose to postpone any changes. His decision will be an important indication of the direction he plans for the reform program and of the balance of forces at the top. b3

If Zhao remains Premier for an extended period, it would indicate that new power relationships are not jelling and that Deng is uneasy about appointing any of the available candidates. Many Chinese would conclude there are irreconcilable divisions in the leadership that could threaten stability and the continuity of reform policies. In addition, Zhao's holding both the top party and government posts would undercut the separation of government and party functions that Deng repeatedly has stressed as a key reform goal. b3

The Candidates

A quick fix for Deng would be to appoint senior Vice Premier Wan Li. Wan has the qualifications and the seniority and is generally well respected. His appointment—probably as a caretaker—would indicate that Deng is buying time and that the leadership cannot agree on any of the younger candidates. b3

The choice of Vice Premier Li Peng—who, according to the rumor mill, currently has the edge—probably would indicate that Deng intends to slow the reform process significantly. The appointment of Li, which Zhao probably does not favor, would suggest that Zhao's power has been restricted and that Deng is listening to arguments of more conservative leaders that reform needs to be restrained. b3

Li Ruihuan, mayor of Tianjin, has also emerged as a candidate for the premiership. Li Ruihuan has ties to some supporters of Hu Yaobang but also is close to Zhao and has impressed Deng. Although his sudden elevation might cause resentment among other, older leaders, he is an attractive candidate who fits Deng's reform profile—technically competent activist with a good record in economic administration. Li might be brought to Beijing in another trial post and later move up to premier. b3

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20 January 1987

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Vice Premier Tian Jiyun, a protege of Zhao and an ardent advocate of economic reforms, would be the first choice of progressive economic reformers. Tian's appointment would be intended to signal that Deng favors continued innovation and experimentation in the economic field and that he wishes to restrict fallout from Hu's dismissal to the political realm. It would also suggest that the party old guard had not increased its influence as much as many progressive reformers now fear. However, Tian probably lacks the leadership qualities necessary for the top government position: he has no higher education, is unpopular with traditionalist party elders, and has a lackluster image.

Qiao Shi, the final candidate, worked on security affairs for several years and is a hardliner on political reform. Although he has impressed Deng with his administrative ability and political skills, his lack of experience in economic matters would suggest to most Chinese that Zhao, and perhaps one of the vice premiers, would continue to oversee the economy were Qiao appointed. Qiao is not liked by many younger reformers, and his appointment would further dishearten many of the most innovative among them.

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20 January 1987

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Special Analysis

ISRAEL-LEBANON: Stronger Military Action Likely

Israel's defense establishment is pressuring Defense Minister Rabin to authorize airstrikes against Hizballah's bases in the Bekaa Valley and to intensify military operations against PLO groups in southern Lebanon. Proponents of stronger Israeli military action argue that Israel's northern border is now threatened because of serious flaws in the Israeli-backed South Lebanon Army, Hizballah's improved military capabilities in southern Lebanon, and the continuing reinfiltration into the area of Palestinian fighters abetted by traditionally pro-Israeli Christians.

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General Lahad's South Lebanon Army has had at least 15 men killed and many more wounded in recent concerted assaults by Hizballah—such losses are unprecedented. Israel remains committed to the survival of Lahad's forces, but it is frustrated by their inability to avert heavy casualties in fending off Hizballah and by Lahad's growing need for Israeli support.

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Israeli leaders have taken only limited steps to counter the growing problems they see in Lebanon. To bolster the morale of Lahad's men, Rabin has granted pay increases, ordered improvements in their physical security at outposts in the Israeli security zone in southern Lebanon, and provided additional training. The Israelis have also increased their efforts to interdict returning Palestinian fighters by stopping the ferry service from Cyprus to the Christian port of Juniyeh and to illegal ports along the Lebanese coast. But these efforts have had no impact on Hizballah or the Palestinians.

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Moving Toward Bolder Measures

Rabin, like most other Israeli leaders, does not want to increase the number of Israeli troops stationed permanently in southern Lebanon, and he will avoid doing so as long as he has other options. Nevertheless, if the surge of attacks in the security zone threatens

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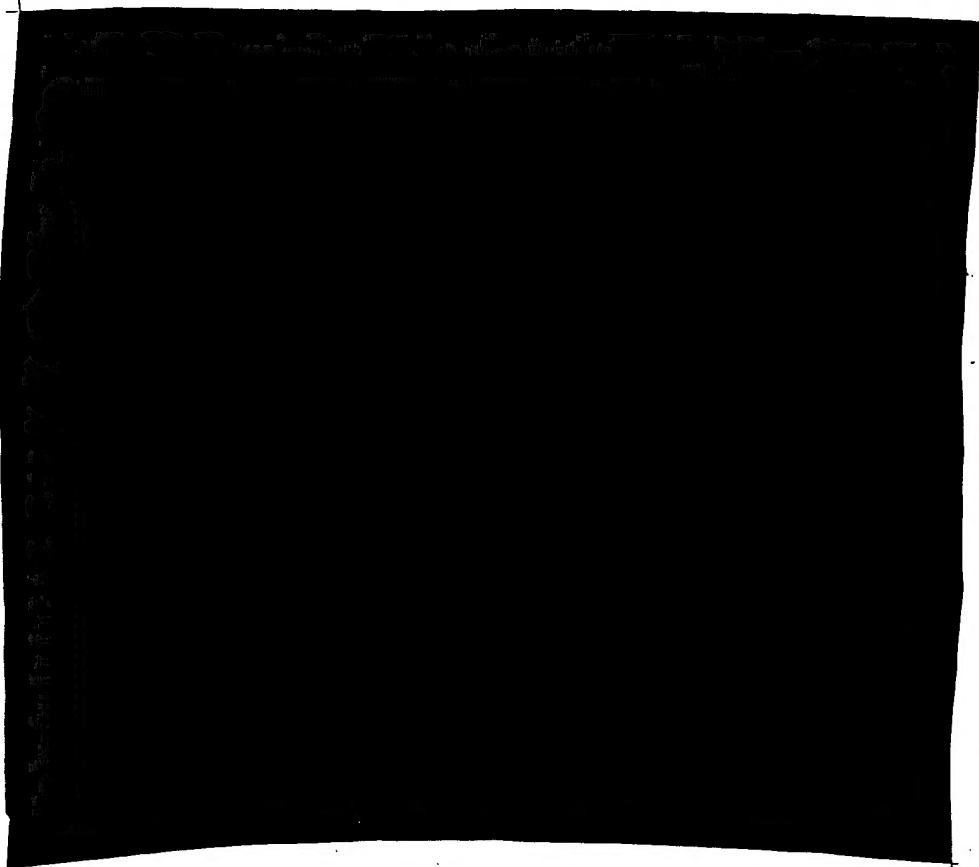
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